Kazakhstan Emissions Trading Scheme

General Information

Summary

Status: ETS in force

Jurisdictions: Republic of Kazakhstan

Kazakhstan launched an ETS in January 2013. The groundwork for the ETS development was laid out in 2011 through amendments and additions to Kazakhstan’s environmental legislation. The system was temporarily suspended in 2016-2017 to tackle operational issues and reform allocation rules. MRV obligations applied during the suspension time. Amendments to the ‘Environmental Code’ were passed in 2016 to improve the MRV system, as well as the overall GHG emissions regulation and KAZ ETS operation. Amendments to the ‘Environmental Code’ in 2017 lay the groundwork for the introduction of benchmarking.

The current ‘National Allocation Plan’ runs through 2018-2020 with a cap of 485.9 MtCO2 (162 MtCO2 on annual average), with 225 participating installations belonging to 129 operators.

Year in Review

The end of 2019 saw the first exchange of allowances since the KAZ ETS restarted operation in 2018. Based on December 2019 trade results from the Caspian Commodity Exchange JSC, the average weighted price was at the level of 431.79 tenge (USD 1.14) per tonne of CO2.

Overall GHG emissions (excluding LULUCF)

Emissions: 353.2 MtCO2e (2017)

Overall GHG emissions by sector

<table>
<thead>
<tr>
<th>Sector Name</th>
<th>MtCO2e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>265.1</td>
</tr>
<tr>
<td>Transport</td>
<td>23.7</td>
</tr>
<tr>
<td>Industrial processes</td>
<td>26.1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>34.3</td>
</tr>
<tr>
<td>Waste</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Overall GHG reduction target

BY 2020: 5% reduction from 1990 GHG levels

BY 2030: 15% (unconditional) to 25% (conditional) reduction from 1990 GHG levels (NDC submission)

BY 2050: 40% CO2 emission reduction in power sector from 2012 levels (Concept of Transition to Green Economy, 2013)

Carbon Price

Current Allowance Price (per t/CO2e): 431 KZT (USD 1.14) (average 2019 price)
### ETS Size

<table>
<thead>
<tr>
<th>Emissions covered by the ETS</th>
<th>0.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG covered</td>
<td>CO2</td>
</tr>
</tbody>
</table>

**Sectors covered and thresholds**

- **PHASE TWO (2014-2015):** Same as Phase one.
  (2016-2017: system suspended)

**Thresholds:** Facilities emitting more than 20,000 tCO2e/year.

**Point of regulation:** Downstream

**Number of liable entities**

- **PHASE 3 (2018-2020):** 129 companies (225 installations)
  No information available yet.

**Cap**

- **PHASE ONE (2013):** 147 MtCO2 (+ new entrants reserve of 20.6 MtCO2). This equalled a stabilization of the capped entities’ emissions at 2010 levels.
- **PHASE TWO (2014-2015):** 2014: 154.9 MtCO2 (+ a reserve of 18 MtCO2); 2015: 152.8 MtCO2 (+ a reserve of 20.5 MtCO2). This represented reduction targets of 0% and 1.5% respectively, compared to the average CO2 emissions of capped entities in 2011-2012.
  (2016-2017: system suspended)
- **PHASE THREE (2018-2020):** 485.9 MtCO2 (+ a reserve of 35.27 MtCO2). The cap is set at a 5% reduction by 2020 from 1990 levels. The cap is allocated for the overall compliance period of 2018-2020; there is no yearly cap.

### Phases & Allocation

**Trading period**

- **PHASE ONE:** 1 year (2013)
- **PHASE TWO:** 2 years (2014-2015)
- **PHASE THREE:** 3 years (2018-2020)
  (2016-2017: system suspended)

**Allocation**

- **PHASE TWO (2014-2015):** Free allocation: grandparenting (0% and 1.5% below 2011/2012 average emissions), with a reserve of 18 MtCO2 in 2014 and 20.5 MtCO2 in 2015.
  (2016-2017: system suspended)
- **PHASE THREE (2018-2020):** Free allocation: grandparenting and benchmarking. Allocation based on grandparenting or product-based benchmarking by each company’s own choice. A reserve contains 35.27 million allowances to accommodate for new entrants, new stationary emission sources, and changes in output in case of the choice of benchmarking.
### Flexibility

<table>
<thead>
<tr>
<th>Banking and borrowing</th>
<th>Banking is allowed within one trading period (i.e., within 2018-2020). Banking between trading periods is not possible.</th>
</tr>
</thead>
</table>
| Offsets and credits   | **PHASE ONE (2013):** The system allowed domestic offsets.  
**PHASE TWO (2014-2015):** Same as Phase One.  
**PHASE THREE (2018-2020):** Same as Phase One.  
Qualitative Limits: Domestic offsets.  
Quantitative Limits: None. |
| Market Stability Provisions | No information available yet. |

### Compliance

<table>
<thead>
<tr>
<th>Compliance Period</th>
<th>One year</th>
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</table>
| Monitoring, Reporting, Verification (MRV) | **REPORTING FREQUENCY:** Reporting is required annually for businesses or financial facilities above the 20,000 tCO2/year threshold.  
Annual reporting is also required for operators of installations with emissions between 10,000 tCO2/year and 20,000 tCO2/year (so-called “subjects to administration”), even though these operators are not required to participate in the ETS or to verify annual emission reports.  
Aside from CO2, reporting is also required for CH4, N2O, and PFCs emissions.  
**VERIFICATION:** Emissions data reports and their underlying data require accredited third-party verification.  
**FRAMEWORK:** Environmental Code of the Republic of Kazakhstan. |
| Enforcement | The non-compliance penalty equals five monthly standard units for each tonne (approximately KZT 13,255/tCO2 [USD 35.2/tCO2] in 2020). In 2013 and in 2014, penalties for noncompliance were waived. |

### Linking

| Links with other Systems | No information available yet. |

### Other Information

| Institutions involved | Ministry of Energy;  
Ministry of Ecology, Geology and Natural Resources;  
JSC Zhasyl Damu, a state-owned joint stock company |
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<thead>
<tr>
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<tbody>
<tr>
<td>Evaluation / ETS review</td>
<td>No information available yet.</td>
</tr>
<tr>
<td>Revenue</td>
<td>No information available yet.</td>
</tr>
</tbody>
</table>
| Implementing Legislation | Environmental Code of the Republic of Kazakhstan  
National GHG Emission Quota Allocation Plan for 2018-2020  
Rules for the allocation of quotas for GHG emissions and formation of reserves of the established number and volume of quotas  
Rules of trading greenhouse gas emission quota and carbon units |
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